



Sur

c. 50

10 DOWNING STREET

*From the Private Secretary*

19 January 1983

The Prime Minister has asked me to reply on her behalf to your letter of 22 December, in which you drew attention to the performance of your Council in utilising your capital allocations in recent years.

The object of the Prime Minister's letter to the Convention of Scottish Local Authorities was to encourage Scottish housing authorities to make full and effective use of their allocations. While she of course gives your Council credit for spending the allocation which it was eventually given, she was sorry to learn that it could have been over £2 million greater if your Council had not chosen to subsidise revenue expenditure by means of large rate fund contributions. The Prime Minister believes that the best way your Council could help the construction industry would be to give priority to capital expenditure in future; and that you can also increase capital expenditure by adopting a vigorous policy of council house sales and thus obtaining a high level of capital receipts. She hopes you will do this.

You will by now have had a response from the Scottish Office to your request for a supplementary allocation. The Prime Minister has asked me to point out that, since you have already had one supplementary allocation this year and chose yourselves to take less capital than was initially on offer you can hardly be surprised that the response was not favourable.

M. C. SCHOLAR

James M. Miller, Esq.

NR.





SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

18  
No

Michael Scholar Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

18 January 1983

*Dear Michael*

As requested in your letter of 4 January, I attach a draft reply for the Prime Minister to send to Cunninghame District Council. I must say I doubt whether a reply from the Prime Minister herself is appropriate in this case: you may wish to adapt the draft for Private Secretary signature.

The Council is one of our more contentious clients who have lost little opportunity in this financial year to lobby for increased capital allocations on their Housing Revenue block. The root of Cunninghame's problem lies in the Council's own budget decisions which substantially reduced their capital allocation under our system of Housing Expenditure Limits (in which a high contribution from the rates to their housing revenue account automatically leads to a reduction in the capital allocation.) We told Cunninghame that they would incur capital penalties insofar as the contribution from the rates exceeded £1.973 million; they chose to make a contribution of £3.917 million and thus lost £2.124 million of capital.

Cunninghame have already benefited from a small additional allocation this year of £0.149 million to compensate for underspending last year.

It is hardly fair, therefore, to accuse the Government of reducing the District's target for capital expenditure on this block as the decision to subsidise revenue rather than capital expenditure was, quite clearly, theirs alone.

*A Muir Russell*

A MUIR RUSSELL  
Private Secretary



GR

my signature

DRAFT FOR THE PRIME MINISTER'S SIGNATURE

James M Miller Esq  
Chief Executive and Director of Administration  
Cunninghame District Council  
Cunninghame House  
IRVINE  
KA12 8EE

The Prime Minister has asked me to reply on her behalf to  
Thank you for your letter of 22 December, <sup>in which you drew</sup> drawing attention  
to the performance of your Council in utilising your capital  
allocations in recent years.

The Prime Minister's

The object of my letter to the Convention of Scottish Local  
Authorities was to encourage Scottish housing authorities  
to make full and effective use of their allocations. While  
I of course gives your Council credit for spending the  
allocation which it was eventually given, <sup>she was</sup> I am sorry to learn  
that it could have been over £2 million greater if your Council  
had not chosen to subsidise revenue expenditure by means  
of large rate fund contributions. The best way your Council  
could help the construction industry would be to give priority  
to capital expenditure in future; <sup>and that</sup> You can also of course  
increase capital expenditure by adopting a vigorous policy  
of council house sales and thus obtaining a high level of  
capital receipts. <sup>she</sup> I hope you will do this.

The Prime  
Minister  
believes  
that

You will by now have had a response from the Scottish Office  
to your request for a supplementary allocation. As you have  
already had one supplementary allocation this year and chose  
yourselves to take less capital than was initially on offer  
you can hardly be surprised that the response was not  
favourable.

The Prime  
Minister  
has asked  
me to  
point out  
that, since

18961 N. 111

18961 N. 111  
P. 111  
T. 111  
S. 111  
E. 111  
W. 111

Local Govt: Petaluma 1114



Prime Minister

File  
B/K

4 January 1983

I enclose a copy of a letter which the Prime Minister has received from Mr. James Miller, Chief Executive of Cunningham District Council.

I should be grateful if you would let me have a draft reply for the Prime Minister's signature, to reach this office by Tuesday 18 January.

M. C. SCHOLAR

Muir Russell, Esq.,  
Scottish Office.

File

285

4 January 1983

I am writing on behalf of the Prime Minister to thank you for your letter of 22 December.

I will place your letter before the Prime Minister and a reply will be sent to you as soon as possible.

M. G. SCHOLAR

James Miller, Esq.